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**SECRETARY, BOARD OF
OIL, GAS & MINING**

**BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF ANADARKO PETROLEUM CORPORATION FOR AN ORDER MODIFYING THE BOARD'S ORDER IN CAUSE NO. 241-1 TO ALLOW AN ADDITIONAL (SECOND) WELL IN EACH OF THE 160-ACRE (OR SUBSTANTIALLY EQUIVALENT) DRILLING UNITS FOR THE PRODUCTION OF GAS (INCLUDING COALBED METHANE) FROM THE FERRON FORMATION IN SECTIONS 32 AND 36, TOWNSHIP 13 SOUTH, RANGE 10 EAST, SLM, AND SECTIONS 2 THROUGH 4, TOWNSHIP 14 SOUTH, RANGE 10 EAST, SLM, CARBON COUNTY, UTAH

REQUEST FOR AGENCY ACTION

Docket No. 2010-012

Cause No. 241- OIA

COMES NOW, Anadarko Petroleum Corporation ("Anadarko"), by and through its attorneys, Beatty & Wozniak, P.C., pursuant to Utah Code Ann. §§40-6-5(3)(b) and 40-6-6(6), and hereby requests the Board of Oil, Gas and Mining (the "Board") to enter an order modifying its previous Order entered on January 2, 1998 in Cause No. 241-1 (the "241-1 Order") to allow an additional (second) well upon each of the following drilling units established for the production of gas (including coalbed methane) from the Ferron Formation (as defined below) under said 241-1 Order and located in Carbon County, Utah:

Township 13 South, Range 10 East, SLM

Section 32: NE $\frac{1}{4}$

Section 32: NW $\frac{1}{4}$

Section 32: SE $\frac{1}{4}$

Section 32: SW $\frac{1}{4}$

Section 36: NE $\frac{1}{4}$
Section 36: NW $\frac{1}{4}$
Section 36: SE $\frac{1}{4}$
Section 36: SW $\frac{1}{4}$

Township 14 South, Range 10 East, SLM

Section 2: Lots 1 (40.35) and 2 (40.25), S $\frac{1}{2}$ NE $\frac{1}{4}$ [NE $\frac{1}{4}$]
Section 2: Lots 3 (40.15) and 4 (40.05), S $\frac{1}{2}$ NW $\frac{1}{4}$ [NW $\frac{1}{4}$]
Section 2: SE $\frac{1}{4}$
Section 2: SW $\frac{1}{4}$
Section 3: Lots 1 (40) and 2 (40), S $\frac{1}{2}$ NE $\frac{1}{4}$ [NE $\frac{1}{4}$]
Section 3: Lots 3 (40) and 4 (40), S $\frac{1}{2}$ NW $\frac{1}{4}$ [NW $\frac{1}{4}$]
Section 3: SE $\frac{1}{4}$
Section 3: SW $\frac{1}{4}$
Section 4: Lots 1 (40) and 2 (40), S $\frac{1}{2}$ NE $\frac{1}{4}$ [NE $\frac{1}{4}$]
Section 4: Lots 3 (40) and 4 (40), S $\frac{1}{2}$ NW $\frac{1}{4}$ [NW $\frac{1}{4}$]
Section 4: SE $\frac{1}{4}$
Section 4: SW $\frac{1}{4}$

(the "Subject Lands"). In support of this Request, Anadarko respectfully states and represents:

1. Anadarko is a Delaware corporation in good standing, with its principal places of business in The Woodlands, Texas and Denver, Colorado. Anadarko is duly qualified to conduct business in the State of Utah and is fully bonded with all appropriate State agencies.

2. By virtue of the 241-1 Order, the Board established the 160-acre (or substantial equivalent) drilling units identified in the preamble above, each comprised of a governmental quarter section or combination of lots and quarter-quarter sections

substantially comprising the same, for the production of gas (including coalbed methane) from the Ferron formation, defined as follows:

the stratigraphic equivalent of the interval from 1,968 feet below the surface to 2,214 feet below the surface as shown in the density log for the Birch A-1 well located in the SW¼ of Section 5, T14S, R10E, SLM

(the “Subject Formation”), for the Subject Lands, among other lands within Anadarko’s Helper field, and ruled only one well on each unit producing gas in the Subject Formation would be allowed. The Board further ordered that the permitted well for each such unit shall be located no closer than 460 feet from the outer boundary of said unit and no closer than 920 feet from other wells completed and producing from the Subject Formation unless otherwise permitted by administrative action approved by the Utah Division of Oil, Gas and Mining (the “Division”) in compliance with Utah Admin. Code Rule R649-3-3.

3. Ownership and the leasehold status of the gas in the Subject Formation in the Subject Lands are as follows:

<u>Owner(s)</u>	<u>Lands</u>	<u>Applicable Lease(s)</u>
State of Utah (administered by the Utah School and Institutional Trust Lands Administration) (“TLA”)	<u>T13S, R10E, SLM</u> Sec. 32: NW¼SW¼, SE¼SE¼	ML-45803
	Sec. 36: All	ML-45802

	<u>T14S, R10E, SLM</u>	
	Sec. 2: All	ML-45805
	Sec. 3: All	
	Sec. 4: All	ML-45804
Royal and Glenna E. Stewart, Trustees of the Royal and Glenna E. Stewart Trust dated January 20, 1993	<u>T13S, R10E, SLM</u> Sec. 32: 2.21 acre m&b tract in NW¼	Bk. 347/Pg. 566 Carbon County Records
Talmadge Lee and Frances Kay Fillingim, husband and wife	<u>T13S, R10E, SLM</u> Sec. 32: 1.06 acre m&b tract in NW¼	Bk. 347/Pg. 569 Carbon County Records
Antonio Miguel and Donna Vallejos, husband and wife, and Eleanora Vallejos	<u>T13S, R10E, SLM</u> Sec. 32: 2.95 acre m&b tract in NW¼	Bk. 351/Pg. 81 Carbon County Records
Jerry L. and Bonnie J. Veal, husband and wife	<u>T13S, R10E, SLM</u> Sec. 32: 0.78 acre m&b tract and a 0.63 acre m&b tract, both located in the NW¼	Bk. 353/Pg. 437 Carbon County Records
Helper Associates	<u>T13S, R10E, SLM</u> Sec. 32: W½E½, E½W½, E½NE¼, N½SE¼, SW¼SW¼	Bk. 311/Pg. 327 Carbon County Records
John Veal and Rosa Veal, husband and wife	<u>T13S, R10E, SLM</u> Sec. 32: W½E½, E½W½, E½NE¼, N½SE¼, SW¼SW¼	Bk. 307/Pg. 805 ("Veal/RGU" Lease) <u>AND</u> Bk. 356/Pg. 346 Carbon County Records

Anadarko is the sole lessee and working interest/operating rights owner. ConocoPhillips Company and Devon Uinta Basin Corporation own overriding royalty interests in the

Vea/RGU Lease. There are no overriding royalty or other production interest owners in the remaining leases.

4. In accordance with the 241-1 Order, Anadarko drilled the following wells which have been completed and continue to produce gas from the Subject Formation and each of which currently constitutes the authorized well for the identified drilling and spacing unit:

<u>Well</u>	<u>Location</u>	<u>Applicable Drilling Unit</u>
Vea A-1	Sec. 32: SW $\frac{1}{4}$ NW $\frac{1}{4}$ (1,731' FNL/1,291' FWL)	Sec. 32: NW $\frac{1}{4}$
Vea A-2	Sec. 32: NE $\frac{1}{4}$ NE $\frac{1}{4}$ (1,307' FNL/842' FEL)	Sec. 32: NE $\frac{1}{4}$
Vea A-3	Sec. 32: SE $\frac{1}{4}$ SW $\frac{1}{4}$ (700' FSL/1,641' FWL)	Sec. 32: SW $\frac{1}{4}$
Vea A-4	Sec. 32: NW $\frac{1}{4}$ SE $\frac{1}{4}$ (1,670' FSL/1,335' FEL)	Sec. 32: SE $\frac{1}{4}$
Helper State E-1	Sec. 36: SE $\frac{1}{4}$ SW $\frac{1}{4}$ (1,255' FSL/1,379' FWL)	Sec. 36: SW $\frac{1}{4}$
Helper State E-2	Sec. 36: SW $\frac{1}{4}$ NW $\frac{1}{4}$ (1,711' FNL/1,258' FWL)	Sec. 36: NW $\frac{1}{4}$
Helper State E-3	Sec. 36: NE $\frac{1}{4}$ NE $\frac{1}{4}$ (494' FNL/1,005' FEL)	Sec. 36: NE $\frac{1}{4}$
Helper State E-4	Sec. 36: SW $\frac{1}{4}$ SE $\frac{1}{4}$ (660' FSL/1,980' FEL)	Sec. 36: SE $\frac{1}{4}$

Helper State A-8	Sec. 2: NW $\frac{1}{4}$ SE $\frac{1}{4}$ (1,700' FSL/2,000' FEL)	Sec. 2: SE $\frac{1}{4}$
Helper State A-3	Sec. 2: Lot 4 [NW $\frac{1}{4}$ NW $\frac{1}{4}$] (1,200' FNL/900' FWL)	Sec. 2: Lots 3 & 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ [NW $\frac{1}{4}$]
Helper State A-4	Sec. 2: Lot 2 [NW $\frac{1}{4}$ NE $\frac{1}{4}$] (1,100' FNL/1,700' FEL)	Sec. 2: Lots 1 & 2, S $\frac{1}{2}$ NE $\frac{1}{4}$ [NE $\frac{1}{4}$]
Helper State A-7	Sec. 2: NE $\frac{1}{4}$ SW $\frac{1}{4}$ (1,635' FSL/1,497' FWL)	Sec. 2: SW $\frac{1}{4}$
Helper State A-1	Sec. 3: SE $\frac{1}{4}$ NW $\frac{1}{4}$ (1,621' FNL/2,019' FWL)	Sec. 3: Lots 3 & 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ [NW $\frac{1}{4}$]
Helper State A-2	Sec. 3: Lot 1 [NE $\frac{1}{4}$ NE $\frac{1}{4}$] (1,321' FNL/464' FEL)	Sec. 3: Lots 1 & 2, S $\frac{1}{2}$ NE $\frac{1}{4}$ [NE $\frac{1}{4}$]
Helper State A-5	Sec. 3: NE $\frac{1}{4}$ SW $\frac{1}{4}$ (1,816' FSL/2,201' FWL)	Sec. 3: SW $\frac{1}{4}$
Helper State A-6	Sec. 3: NE $\frac{1}{4}$ SE $\frac{1}{4}$ (2,288' FSL/820' FEL)	Sec. 3: SE $\frac{1}{4}$
Helper State D-7	Sec. 4: NW $\frac{1}{4}$ SW $\frac{1}{4}$ (1,500' FSL/1,200' FWL)	Sec. 3: SW $\frac{1}{4}$
Helper State D-4	Sec. 4: SW $\frac{1}{4}$ NW $\frac{1}{4}$ (1,681' FNL/1,232' FWL)	Sec. 3: Lots 3 & 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ [NW $\frac{1}{4}$]
Helper State D-5	Sec. 4: Lot 2 [NW $\frac{1}{4}$ NE $\frac{1}{4}$] (644' FNL/2,165' FEL)	Sec. 4: Lots 1 & 2, S $\frac{1}{2}$ NE $\frac{1}{4}$ [NE $\frac{1}{4}$]
Helper State D-8	Sec. 4: SE $\frac{1}{4}$ SE $\frac{1}{4}$ (981' FSL/445' FEL)	Sec. 4: SE $\frac{1}{4}$

5. In conformance with the 241-1 Order and the correlative rights established pursuant thereto, and as required by State regulation, the following Pooling Agreements relating to subject Section 32 were signed by Anadarko (both on its own behalf and on behalf of the fee lessors pursuant to the pooling/unitization clauses contained in their respective leases) and signed and approved by TLA (as to the SW¼ and SE¼ of Section 32 only):

<u>Lands</u>	<u>Date</u>	<u>Carbon Cty. Rec. Book/Page</u>
NW¼	5/5/03 but effective as of 8/17/98	550/606
NE¼	5/5/03 but effective as of 8/6/98	550/603
SE¼	Effective 8/6/98	546/594
SW¼	Effective 8/6/98	546/587

Pursuant to these Agreements, all gas production from the Subject Formation is communitized (pooled) as to the respective quarter section and allocated to the leaseholds and respective parties on a pro-rata acreage basis. Because one lease respectively covers the entirety of each of the remaining drilling units in the Subject Lands and production interests therein are uniform as to such drilling unit, no such pooling agreements are required for the remaining Subject Lands.

6. The Subject Formation underlying the Subject Lands is comprised of coals, carbonaceous shales and sandstones, all of which are reservoirs contributing to production from the wells identified in Paragraph 4 above. Productive capacities are primarily determined by the presence of naturally occurring faults and fractures, which greatly increase the ability of methane to move through the Subject Formation. These features also provide conduits for the migration of Subject Formation fluid and biogenic agents that ultimately determine the recoverable gas content. Comparison of estimated ultimate recoveries (“EUR’s”) for each well with gas-in-place calculations strongly indicates significant reserves are not being recovered due in large part to reduced permeability. As a consequence, Anadarko believes, and therefore avers, that existing wells are not adequately draining the respective drilling unit upon which each is located and that valuable resources will be left in place without in-fill authorization.

7. Anadarko is therefore proposing, and therefore is asking Board approval of, a five section pilot program to confirm that 80-acre well density for production of gas from the Spaced Formation may be more appropriate and, if so, for future extension to the entire Helper field. Anadarko believes that the in-fill wells will be economic to drill given the anticipated incremental production therefrom.

8. Anadarko desires to maintain the same general set off limitations (no closer than 460 feet to a drilling unit boundary or 920 feet to a well also producing from the Spaced Formation) as are currently established under the 241-1 Order.

9. This Request is not without precedent. The Board has previously authorized XTO Energy Inc. to conduct pilot in-fill drilling to the approximate equivalent of an 80-acre well density for gas production for the Ferron Formation in the West Huntington and Orangeville Areas (located to the southwest of the Subject Lands) in its Orders entered in Cause Nos. 245-04A, 245-05 and 245-06. Furthermore, Anadarko has been informed and believes that 80-acre in-fill drilling with respect to the Subject Formation has occurred or is occurring within portions of the Drunkards Wash and Huntington (Shallow) CBM Units (also located to the west and southwest of the Subject Lands).

10. Correlative rights will not be adversely affected because of the existing pooling agreements and otherwise uniform leasehold ownership, and the fact that in-fill drilling authorization, and not down spacing, is requested.

11. Anadarko believes, and therefore avers, that granting its Request will be in furtherance of the public policies of this State to promote greater recovery of gas without waste and with protection of the correlative rights of all affected owners.

12. Anadarko will, in accordance with Board rules, timely submit exhibits and present testimony at the hearing in support of these averments.

13. Anadarko will separately file a certificate of mailing listing all parties known to it, based on a search of the respective TLA and County realty records and the

records of the Division, whose “legally protected interests” will be affected by this Request. There are no respondents or adverse parties known at this time to Anadarko.

WHEREFORE, Anadarko respectfully requests:

1. That this matter be set for hearing on March 24, 2010;
2. That notice of such hearing be given as provided by law; and
3. That, upon sufficient evidence produced and testimony given at the hearing,

the Board issue an order:

- (A) Modifying the 241-1 Order to permit the drilling of an additional (second) well for the production of gas (including coalbed methane) from the Ferron Formation, as defined in said Order and above, to achieve an 80-acre (or substantially equivalent) well density within the drilling units upon the Subject Lands as identified in the preamble above;
- (B) Declaring that no such additional well may be drilled closer than 460 feet from the exterior boundary of each such drilling unit; provided, however, that approval by the Division may be granted in accordance with Utah Admin. Code Rule R649-3-3 for exception well locations when topographical, geological, environmental, and archaeological considerations, or other good causes prohibit drilling at a legal location, without the necessity of a full hearing before the Board; and
- (C) Declaring that all existing wells located on the Subject Lands and producing gas from the Subject Formation are authorized and deemed to be located at lawful locations, notwithstanding the consequences of the requested relief if granted;
- (D) Making such findings and orders in connection with this Request as it deems necessary; and
- (E) Providing for such other and further relief as may be just and equitable under the circumstances.

Respectfully submitted this 10th day of February, 2010.

BEATTY & WOZNIAK, P.C.

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